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Report Highlights:

South Africa's 2000 wheat crop was the best in years and we expect an increase in area planted again in the 2000/2001 season.

The 2000/2001 corn crop is currently estimated at 7.5 million tons, produced on the smallest area planted in sixty years. However, the crop is currently under severe heat and drought stress and widespread rains are urgently needed. If the heat continues without any rain the output could drop dramatically below the current estimate.

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Executive Summary

At this stage South Africa is still looking at a reasonable 7.5 million ton FAS 2000 corn crop from a reduced area planted. The crop is, however, under severe heat and drought stress and general rain is needed over the next few days to save the crop. If the heat wave and drought continues damage will be severe. Fortunately there will be an estimated 2 million ton carry over from the previous season at the end of April 2001 and a shortage of the staple food is not foreseen at this stage. With local consumption of around 8 million tons, South Africa should also be able to supply the immediate needs of its neighbors. The outcome of the current crop will influence the 2001 planting decisions later this year but the current high prices should play a role in increasing the area planted again.

The 2000 wheat crop exceeded 2 million tons and with the fallow fields not planted to corn in 2000, an increase in the area planted to wheat can be expected this year. Imports in excess of 400,000 tons are still expected for 2001 and 2002 as local production chronically falls short of local demand.

Rice imports in excess of 500,000 tons are expected for 2001 with the US playing a major role in supplying the demand for wheat and rice.

US Dollar $1 = \text{Rand } 7.78 \ (02/07/2001).$

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CORN

PSD Table							
Country	South Africa, Republic of						
Commodity	Corn				(1000 HA)(1000 M	T)	
	Revised	1999	Preliminary	2000	Forecast	2001	
	Old	New	Old	New	Old	New	
Market Year Begin		05/2000		05/2001		05/2002	
Area Harvested	3868	3868	3400	3250		3500	
Beginning Stocks	1022	780	2225	2000		350	
Production	10584	10585	8500	7500		8750	
TOTAL Mkt. Yr. Imports	100	0	50	0		0	
Oct-Sep Imports	350	270	50	0		0	
Oct-Sep Import U.S.	261	100	0	0	0	0	
TOTAL SUPPLY	11706	11365	10775	9500	0	9100	
TOTAL Mkt. Yr. Exports	1500	1200	1000	1000		700	
Oct-Sep Exports	500	900	1300	850		500	
Feed Dom. Consumption	4100	3665	4100	3800		3800	
TOTAL Dom. Consumption	7981	8165	8300	8150		8150	
Ending Stocks	2225	2000	1475	350		250	
TOTAL DISTRIBUTION	11706	11365	10775	9500	0	9100	

Production

Over the past ten seasons prior to the 2000 planting year the area planted to corn varied between 3.3 and 4.7 million hectares while the crop varied between 3 and 13 million tons - an indication of the high variations in output in the local industry. Over the past five seasons, and since the advent of the free market in 1995, the area planted varied between 3.6 and 4 million hectares and the crop between 7.7 and 10.1 million tons. This does not indicate that the free market limits variations but is more indicative of the favorable weather experienced over the period. While weather is the main challenge, producers are also finding it difficult to adapt to the free market and its implications on production decisions.

The preliminary forecast of the 2000 area planted to corn on commercial farms is 2.665 million hectares, which is 17.8% less than the 3.23 million hectares planted in 1999. This is the smallest area planted in sixty years and 42% down from the record of 4.6 million hectares planted in 1966. The area planted to corn in the developing sector is unofficially estimated at 595,000 hectares for a total of 3.25 million hectares compared to the 3.868 million hectares planted in 1999. The main reason brought forward for the 16% total decline in area planted is the poor economics of grain farming.

The estimate for white corn is 1.572 million hectares or 59.2% of the total and 1.083 million for yellow corn. The largest producing provinces for white corn, each with 620,000 hectares this year, are the North West Province (down 220,000 hectares from 1999) and the Free State (down 130,000 hectares). The Free State is the largest producer of yellow corn with 365,000 hectares (450,000 last year), followed by Mpumalanga with

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310,000 hectares (330,000) and the North West with 270,000 hectares (310,000).

Early 2000/2001 season rainfall was good and the planting and early development of the crop went well. Favorable rainfall continued up to the third week of December when warmer and drier conditions benefitted the development of the crop and fieldwork, including the harvesting of the wheat crop in the Free State. Since the second week of January 2001, the traditional January/February heat wave has hit most of the corn growing areas just as the crop in the eastern areas started tasseling. Excessive heat at this stage can limit fertilization and the consequent development of the cob and the situation is being monitored very closely. At this stage the situation is critical and widespread rain is urgently needed.

The 1998 crop on commercial farms yielded about 2.5 tons per hectare and the 1999 crop 3.1 tons. When we take into account that when the area planted is cut back it is mainly the poorer fields that are abandoned, a commercial yield of about 2.7 metric ton per hectare can be expected for the 2000 crop at this stage, producing a 7.15 million ton commercial crop compared to the 10.1 million tons produced in 1999. The crop in the developing sector is also expected to show a decline in the area planted and yield with the result that we only expect a 7.5 million ton total crop in FAS 2000 (MY 2000/2001).

The above was repeated from earlier reports to highlight the difficulties in forecasting events such as the area to be planted to corn from October 2001 onwards.

Total domestic consumption now exceeds 8 million tons per season. Traditional export markets in the region probably need about 700,000 tons of white corn annually, with the result that farmers should be aiming for a 8.7 million ton plus crop. It is widely accepted that the international export market is not profitable at this stage. At an average yield of about 2.4 metric tons per hectare over the past few seasons this means that farmers should plant about 3.6 million hectares to corn. Yield, however, varied between 1.4 and 2.8 tons per hectare over the past ten season which means that the theoretical area to be planted varies between 3.1 and 6.2 million hectares.

While weather conditions for the rest of the current rainfall season, as far as it influences soil moisture, and the early rainfall from September 2001 will have the major effect on the new 2001 season planting decisions, various other factors will also play a role. The economic situation of farmers is poor after the small (7.7 million ton) FAS 1998 crop was followed by the good (10.6 million ton) FAS 1999 crop. The financial results of the 1999 crop were poor for many farmers who sold their crop at low prices before prices started picking up in September 2000. With input inflation and especially fuel prices increasing the producers found themselves in the classical cost/price squeeze and many found it difficult to finance the 2000 crop.

At this stage we are forecasting that farmers will probably plant about 3.5 million hectares from October 2001 giving a potential crop of 8.5 million tons. The assumption is that weather conditions will be "normal"

Consumption

The white/yellow corn PS&D for the FAS 1998 (MY 1999/2000) season and the estimate for the FAS 1999 (MY2000/2001) season are supplied as examples of the current situation:

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May/April	FAS 98	MY 99/00	'000 Mt.	FAS 99	MY 00/01	
Corn	White	Yellow	Total	White	Yellow	Total
B/Stocks*	543	264	807	510	270	780
Production	4922	2802	7724	6460	4125	10585
Imports	0	569	569	0	0	0
SUPPLY	5465	3635	9100	6970	4395	11365
Exports	495	35	530	840	360	1200
Cons.**	4460	3330	7790	5015	3150	8165
E/Stocks	510	270	780	1115	885	2000

^{*} Excludes early new season deliveries which are included with the relevant season's deliveries.

The noteworthy points about the table are the white/yellow consumption patterns with white use mainly for human consumption and yellow mainly for feed. From May to December 2000 about 458,000 tons of white corn, mainly lower grades, was used for feed which complicates the situation. It is clear, however, that consumption is growing, although at a slow rate. For the next two seasons we are keeping consumption constant as the increased local price levels are expected to inhibit growth.

Trade

South Africa is traditionally seen as a corn exporter but its role in the international area is diminishing. This is mainly due to the demise of the Control Board system and the introduction of the free market which led to a decrease in production. South Africa nonetheless exported nearly 900,000 tons in 1998 and nearly 500,000 tons in 1999 as shown in the trade matrix. What is significant in the table is that South Africa only exported 155,000 tons to Japan in 1998 with the rest being mainly regional and white corn trade. Traditionally Japan, Taiwan and Korea and Iran were major markets. The table mainly gives and indication of historical export destinations outside the Southern African Customs Union. The 2000 figures are not yet available but should include details of sales to members of the Customs Union .

^{**} Includes farm retention

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Export Trade Matrix			
Country	South Africa, Republic of		
Commodity	Corn		
Time period	Jan-Dec	Units:	Metric tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Zimbabwe	401775	Zimbabwe	197585
Japan	155100	Tanzania	91076
Zambia	128901	Malawi	42117
Malawi	41864	Zambia	28751
Mauritius	36091	Kenya	21849
Tanzania	26680	Mozambique	16412
Kenya	30505	Angola	14340
Mozambique	28365	Cape Verde	19050
Total for Others	849281		431180
Others not Listed	48354		50567
Grand Total	897635		481747

From May to December 2000 South Africa exported 561,000 tons of white corn and 297,000 tons of yellow for a total of 858,000 tons. We estimate total season exports to reach about 1.2 million tons consisting of 840,000 tons white and 360,000 tons yellow corn, the supplies mostly having been committed. If the current drought continues further export sales may be curtailed by high domestic prices .

The FAS 2000 (MY 2001/2002) export situation is in jeopardy because of the current drought and heat wave. If the 7.5 million ton materializes, export could reach a million tons as the demand exists in the region. If supplies become tight and prices increase any further, exports will be cut back. For FAS 2001 (MY 2002/2003) we foresee only the immediate regional demand of about 700,000 tons of mainly white corn being serviced.

During 1998 and 1999 South Africa still imported corn into the coastal areas when high domestic prices and transport costs made it cheaper to import. Since May 2000 no corn has been imported and if the current corn crop stabilizes no imports are foreseen for the rest of the current season. If the crop fails, imports will be likely during 2001 and 2002 but this will depend on the local exchange rate which continues to depreciate, making imports more expensive. The following table contains the historical details:

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Import Trade Matrix			
Country	South Africa, Republic of		
Commodity	Corn		
Time period	Jan-Dec	Units:	Metric tons
Imports for:	1998		1999
U.S.	60793	U.S.	255793
Others		Others	
Argentina	160492	Argentina	119875
Zimbabwe	28801		
Total for Others	189293		119875
Others not Listed	2626		3797
Grand Total	252712		379465

In this situation we may look at import and export parity price scenarios for both corn and wheat, this is only an example of how an import parity price can be calculated;

Indicative import parity prices:

Futures prices: March 2001 at 2001/01/26	HRW2 Wheat; Gulf	US #3 Yellow corn; Gulf
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FOB Gulf value \$/ton	139.77	93.07
Freight rate (20-30,000 ton) \$/t	17.00	17.00
Insurance \$/ton	0.42	0.28
C.I.F. \$/ton	157.19	110.35
Converted to Rand/ton @ R7.89/\$	1239.60	870.22
Financing cost @ 14.5% prime R/t	14.77	10.37
Discharging cost R/ton	61.96	55.40
IMPORT TARIFF R/ton	196.00	67.00
F.O.R. Durban R/ton	1512.33	1002.39
Transport to Randfontein R/ton	135.60	135.60
Delivered price, inland	1647.93	1137.99

It is clear that the price will vary according to the destination, the prices above are brought back to Randfontein in Gauteng which is the base for the domestic SAFEX prices. Obviously the imported wheat and corn will be cheaper at the coast or in the port of Durban or Cape Town. The exchange rate will also have a major influence on the calculation and with the volatile Rand the picture changes daily. It does mean, however, that after R1000/ton for corn and R1500/ton for wheat is reached at the coast imports become viable for use in that region. This does thus effectively cap domestic prices. On the other hand export parity prices can be calculated;

Futures prices; March 2001 at 01/26/001	US HRW Wheat Gulf	US # 3 Yellow Corn Gulf
FOB Gulf \$/ton Plus \$10/ton quality difference	139.77	93.07 103.07
Rand/ton at \$ = Rand 7.89 Less 10% quality difference	1102.23 992.00	812.81
Marketing costs		
Financing, 30 days at prime R/t	11.82	9.69
Transport, wheat Malmesbury to East London , R/ton Corn, Randfontein to Durban	175.00	135.00
Loading cost R/ton	54.85	51.57
Export realization	750.33	616.55

The domestic prices are thus not likely to fall below the export realization.

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Stocks

According to the current calculation South Africa should carry over about 2 million tons at the end of April 2000 which should play a substantial role in supplying the shortfall foreseen for MY 2001/2002. The question is who owns the stocks and is benefitting from the current bull run on prices as a significant portion of the crop was hedged early in the season when prices were low.

Stocks are expected to be run down over the next two seasons as the futures market minimizes the need to hold stocks. The current stockpile is mainly due to low world prices which made exporting unattractive.

Policy

The current import duty on corn is R67/ton which was instituted on 06/30/2000. The tariff is a calculated tariff based on an initial international reference price, a daily price, a 21 day moving average daily price and the deviation from the base price. (See details of the calculations on the SAGIS web page at http://www.sagis.org.za) The current duty at to days exchange rate of \$1= Rand 7.76 is only \$8.63/ton. In addition, there is a tariff rate quota of 269,000 tons for 2001 where the duty drops to 10% ad valorem, see details in the Department of Agriculture's website at http://www.nda.agric.za/ under publications, GG notices.

Marketing

Corn prices has been very volatile over the past year. White and yellow corn prices reached lows of about R570/ton in late August with the differential between the two very small. Since then the prices have been increasing steadily with maximum daily gains over the past few days. On February 5, the futures prices were as follows:

Rand/metric ton/\$/mt @ 7.76	White WMAZ	Yellow YMAZ
February 2001	893 = \$115.08	925 = \$119.20
March	878 = \$113.14	940 = \$ 121.13
May	893 = \$115.08	924 = \$ 119.07
July	910 = \$117.27	908 = \$ 117.01
September	933 = \$120.23	932 = \$ 120.10
December	964 = \$124.23	951 = \$ 122.55

The fact that the yellow corn price for the next few months is above the white price is the result of a current shortage of yellow corn in the market which should be alleviated after the harvest. For details and current prices see the SAFEX website at http://www.safex.co.za.

WHEAT

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PSD Table						
Country	South Africa, Repu	blic of				
Commodity	Wheat				(1000 HA)(1000 M	IT)
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Harvested	718	718	854	860	0	900
Beginning Stocks	771	771	550	507	0	430
Production	1749	1725	1983	2122	0	2250
TOTAL Mkt. Yr. Imports	625	624	517	421	0	450
Jul-Jun Imports	500	500	500	400	0	400
Jul-Jun Import U.S.	100	100	120	120	0	150
TOTAL SUPPLY	3145	3120	3050	3050	0	3130
TOTAL Mkt. Yr. Exports	55	72	50	70	0	70
Jul-Jun Exports	60	60	50	50	0	50
Feed Dom. Consumption	37	36	50	50	0	50
TOTAL Dom. Consumption	2540	2541	2550	2550	0	2560
Ending Stocks	550	507	450	430	0	500
TOTAL DISTRIBUTION	3145	3120	3050	3050	0	3130

Production

South Africa's 2000 wheat crop developed very well while rain damage to the quality of the crop was less than expected. The latest estimate of the crop shows an increase of 2.4% from 2.072 million tons for the previous estimate to 2.122 million tons. The increase was mainly in the Free State where the yield increased from 1.92 to 2.05 tons per hectare and the expected production increased from 710,400 to 758,500 tons. Rain and hail in December damaged the crop in the Free State and it was feared that the quality would deteriorate. Farmers were, however, allowed the store the crop in the cooperative silos which allowed the

deteriorate. Farmers were, however, allowed the store the crop in the cooperative silos which allowed the falling number to increase and allowed the crop to make the baking grade. The falling number, tests the enzyme activity in the kernel which determines baking quality. A minimum test result of 250 is needed to qualify for the better grade and consequently better price.

For the new 2001 planting season starting in June we expect an increase in plantings, especially in the Free State, where the fields not planted to corn this summer can be utilized. The area to be planted in the Free State will, however, depend on the rainfall over the rest of the current rainfall season as the winter plantings are totally dependent on soil moisture until the first rain in September/October. The Western Cape, the other big wheat area, enjoy a winter rainfall season and is more stable. If 900,000 hectare is planted, a crop of about 2.25 million tons can be expected under 'normal' conditions, which is getting closer to domestic demand of about 2.5 million tons.

An outbreak of Karnal Bunt (Tiletia indica) was identified in the Northern Cape during December. This disease

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has not been reported in South Africa before. The infected field was destroyed and quarantine measures are being enforced in the area. Indications are that the outbreak has been curtailed.

Trade:

From October 1999 to September 2000, South Africa imported 624,000 tons of wheat for own use, compared to 483,000 tons the previous season. Indications are that imports, during the current 2000/2001 season, will reach about 420,000 tons increasing to 450,000 tons in 2001/2002. The imports not only help to supply the domestic shortfall but are used to mix with the local product to increase protein levels and baking quality. The following table contains the historical trade data which includes some transshipments. The new 2000 data, when available, will be more specific. The US is involved in the market with the US Wheat Association represented in the country. The US market share increased slightly to about 20% in 1999. Preliminary data indicate that the US share rose again in 2000.

Import Trade Matrix			
Country	South Africa, Republic of		
Commodity	Wheat		
Time period	Jan - Dec	Units:	Metric tons
Imports for:	1998		1999
U.S.	88133	U.S.	172002
Others		Others	
Canada	238283	Australia	557555
Australia	120061	Canada	89686
Argentina	21323	Argentina	45088
Hungary	27489	France	16500
Zimbabwe	838	Bermuda	8000
Total for Others	407994		716829
Others not Listed	6		74
Grand Total	496133		888905

South Africa exports about 70,000 tons of wheat products annually to neighboring states, while the exports shown in the following table are mainly transhipments.

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Export Trade Matrix		
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Country	South Africa, Republic of		
Commodity	Wheat		
Time period	Jan - Dec	Units:	Metric tons
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Kenya	21277		
Saudi Arabia	15725		
Ethiopia	14648		
Total for Others	51650		0
Others not Listed	4603		128430
Grand Total	56253	_	128430

Policy:

The import duty on wheat is also based on a similar formula to corn with the details available on the SAGIS website. This was lowered from R269/ton to R196/ton on January 12, 2001 in a formula induced adjustment. There is a market access rebate of the duty to 14% ad valorem on 108,279 tons based on permits granted annually. At the same time the duty on wheat flour was cut from 30% ad valorem plus R403/ton to 20% plus R204/ton.

Marketing

Since September 2000 the March 2001 wheat futures price has varied between R1250 and R1350/ton. The February 5 futures price for March wheat was R1385/ton going to R1420/ton in May but back down to R1282/ton in December after the new harvest.

RICE

PSD Table			
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Country:	South Africa, Republic of					
Commodity:	Rice, Milled					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begi	n	01/1999		01/2000		01/2001
Area Harvested	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Milled Production	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0
Milling Rate(.9999)	0	0	0	0	0	0
TOTAL Imports	550	521	530	530	0	545
Jan-Dec Imports	550	521	530	530	0	545
Jan-Dec Import U.S.	0	74	75	85	0	100
TOTAL SUPPLY	550	521	530	530	0	545
TOTAL Exports	10	8	10	10	0	10
Jan-Dec Exports	10	8	10	10	0	10
TOTAL Dom. Consumption	540	513	520	520	0	535
Ending Stocks	0	0		0	0	0

The total market for Rice in South Africa is still growing while preliminary data indicate that the US increased its market share in 2000. As rice is not produced in South Africa annual imports are taken as consumption after the small regional exports are deducted. The US rice industry is represented in South Africa by the US Rice Council. The import trade matrix is submitted to give an indication of the origin of imports.

Import Trade Matrix		
Country:	Units:	Metric ton

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Commodity:			
Time period:	Jan-Dec		
Imports for	1998		1999
U.S.	97183	U.S.	74475
Others		Others	
Thailand	235078	Thailand	276103
India	159493	India	125645
Spain	7805	U.K.	15610
Vietnam	8083	Vietnam	10585
Hong Kong	1106	Uruguay	5259
Australia	1860	Spain	3924
		Australia	3067
		Taiwan	3208
Total for Others	413425		443401
Others not listed	2532		2752
Grand Total	513140		520628

Electronic Sources used:

In order of significance:

The South African Grain Information Service, SAGIS, at The National Department of Agriculture at The South African Futures Exchange, SAFEX, at The South African Weather Buro, at The Early Warning System for South Africa, at Grain SA is still working on their new website. Http://www.sagis.org.za
Http://www.nda.agric.za
Http://www.safex.co.za
Http://www.weathersa.co.za
Http://www.agis.agric.za/agisweb/umlindi.html